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For Immediate Release

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FUTA Credit Reduction Will Impact Vermont in January

A Federal Unemployment Tax Act (FUTA) credit reduction will impact Vermont employers this January. All states that have an outstanding Federal Unemployment Trust Fund loan will incur a loss of credit-reduction. In Vermont's case the loss will result in an additional cost to employers of \$21 per employee.

Vermont borrowed UI funds from the federal government in prior years when the unemployment rate was higher than normal in order to keep the UI benefit program solvent. Vermont has not borrowed for its UI system since April 2011, and has paid off \$20 million dollars of its \$77.7 million loan. The FUTA credit amount reduction allows the federal government to help recover its loan funding. "We hope to continue to operate the Vermont system without any additional borrowing, continuing to pay down the debt, and moving the trust fund to solvency as defined by the federal government", said Labor Commissioner Annie Noonan. The federal government has identified Vermont's 'solvency' at approximately \$160M in reserves.

Federal law requires a reduction in the FUTA tax credit when a state has outstanding federal UI loan for at least two consecutive years. Employers typically receive a credit of 5.4% against the rate, resulting in a net tax rate of 0.6%. Vermont employers will have a reduced credit of 5.1% for 2013 making their FUTA tax rate 0.9% which translates to a total cost of \$63 per employee.

